

ORIGINAL
Portal III Homeowners Association
P.O. Box 1929
Pine, Arizona 85544



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March 20, 2004

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Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007-2996

AZ CORP COMMISSION
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Attention:


Marc Spitzer, Chairman
Kristin K. Mayes, Commissioner
Jeff Hatch-Miller, Commissioner
William Mundell, Commissioner
Mike Gleason, Commissioner

Arizona Corporation Commission

DOCKETED

MAR 24 2004

Reference: Docket No. W-03512A-03-0279

DOCKETED BY	
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Dear Mr. Chairman & Commissioners:

We, the elected Board of the Portal III Homeowners Association (HOA), on behalf of our 175 members, wish to express our deep concerns regarding the matter of the application of Pine Water Company, Inc. (PWC) to "increase rates and charges based thereon for utility service and for approval to incur long-term debt." On this date, the Board and members present discussed the following issues, which we request that you, our elected representatives on the Arizona Corporation Commission, take into consideration in your decisions regarding this rate increase to ensure the necessary quality of service to the PWC service area:

- **Augmentation Fees:** With regard to the approval of augmentation fees being requested by PWC, we question the need for an augmentation fee for water transported via the Magnolia Pipeline and feel that the rate increase of 1999 should have included the recovery of the majority of construction cost of this pipeline. Remaining construction costs not recovered under the 1999 rate increase should be depreciated over a 30- to 40-year period and charged back to customers over that period so as not to place undo financial burden on PWC customers. Further, we strongly feel that the Magnolia Pipeline should be used as the primary source of water transport by PWC, with a rate structure to allow PWC to recover any remaining construction cost balance only. Transporting water via trucking should be used only when needed, with a separate rate for trucked water passed on to PWC customers. We request that you seek such assurances from PWC prior to approving the pending rate increase.
- **Water Storage:** Due to the nature of the water resources and topography of the PWC service area, we urge you to consider as part of the approval of the pending rate increase, requesting a commitment on the part of PWC to construct adequate water storage facilities (i.e., a new water storage tank) in Pine to prevent future water outages such as those experienced in 2002. We suggest that construction of a new water storage tank could also be depreciated over a 30-

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to 40-year period and charged back to customers over that period so as not to place undo financial burden on PWC customers.

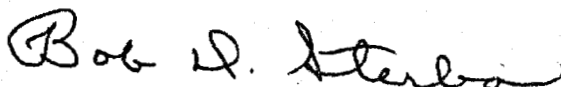
- **Repairs to PWC Water Distribution System & Water Supply Exploration:** We also respectfully ask that you consider as part of the resolution of this case requesting PWC to submit to the ACC an operations and supply plan that addresses replacement of faulty and undersized mains and services of the current PWC distribution system and drilling for new water wells.
- **Utility Rate Structure:** If in fact a tiered rate structure is being considered, where customers that use larger amounts of water are charged at a higher rate, we urge you to consider a rate structure that does not penalize full-time residents by basing the rate on year-round usage, but rather consider a rate that takes into account high seasonal usage by part-time residents and visitors.

We strongly urge you to review the data provided by PWC, taking into consideration the actual current pumping capabilities against the volume of water transported and sold. A thorough analysis of the unaccountable water percentage should be conducted to assure the accuracy. We feel this rate increase should allow PWC to recover the remaining balance of construction cost of the Magnolia Pipeline, require PWC to properly repair and replace the distribution system, require an additional storage tank in Pine of sufficient volume and the drilling of additional wells.

The Board and members of Portal III Homeowners Association thank you in advance for attention to the matters outlined above and look forward to a resolution of this case that ensures the quality of service to customers in the Pine Water Company, Inc. services area at rates that are fair to both PWC and its customers.

Sincerely,

Portal III Homeowners Association Board



Bob D. Sterba, President

Cc: Congressman Rick Renzi
Gila County Supervisor Ron Christensen
Members, Portal III Homeowners Association